ECONOMIC INDICATORS

ANNUAL SUPPLEMENT

HAWAII in 1984: A Year-end Summary of Hawaii's Economic Indicators and Outlook for 1985

OVERALL TRENDS

Major indicators show that the Hawaiian economy continued on a strong upward track after the three-year recession of 1980 to 1982. In 1984, the total volume of taxable transactions in the state grew by 11.5 percent. Given the moderate increase in the Honolulu Consumer Price Index during the year of 4.1 percent, real growth in the economy registered a robust increase of 7.4 percent in 1984. This was a clear improvement over the 1.2 percent real growth experienced in 1983, and the highest rate of real growth since business transactions grew by 10.6 percent in 1979. The two years of continuous growth confirms that the Hawaiian economy is moving away from the recessionary years of negative growth in 1980, 1981, and 1982, and may be embarking on a period of stable long-term secular expansion.

Total personal income also saw a strong increase of 7.9 percent. Given the moderate rate of increase in inflation, real personal income in the state grew by 3.8 percent in 1984. While slightly lower than the rate of increase of 3.9 percent in 1983, both years showed solid gains against the relatively flat years of 1980, 1981, and 1982.

Other indicators of business activity showed strong over-the-year gains. New car sales saw strong real growth of 11.3 percent in 1984. State tax revenues increased by 10.3 percent in current dollars in 1984, slightly over the 9.9 percent increase in 1983. Given the fact that state tax revenues actually declined by 4.3 percent in 1982, the two-year upward trend in tax revenues provides additional evidence of Hawaii's continuing economic recovery.

This upswing was also evident in financial transactions in the economy. Monthly average savings deposits in commercial banks saw a strong increase of 12 percent, while debits to demand deposits, which measure the volume of checking account transactions, increased by 3 percent. Thus, not only are Hawaii residents putting more money into banks, but they are now spending more. They are also borrowing more. Consumer loans saw a dramatic increase of 11 percent in 1984 compared to 1 percent in 1983. Savings and loan associations fared less well. While deposits increased a healthy 7 percent, overall loans fell by 3 percent, principally due to a large decline in residential loans of 11 percent. The decline reflected the overall poor performance of the construction industry in 1984, as well as the general stagnation of interest-rate sensitive sectors of the economy.

However, the overall improvement in the economy did not extend to the point where it brought about significant improvements in employment or job creation. The overall civilian labor force and the total number of people actually working remained stable, while the unemployment rate fell from 6.5 to 5.9 percent in 1984. Likewise, the total number of jobs in the economy remained static, indicating that growth in the economy has been in terms of the higher utilization of existing labor resources rather than through a significant expansion of the labor force or jobs in Hawaii.

Furthermore, the pattern of economic upswing was not consistent across all industries. In general, industries that did well were those related to tourism. For example, in terms of personal income, tourism-related services, transportation, communications and utilities, and trade increased by 6, 6, and 5 percent in constant dollars, respectively. On the other hand, manufacturing, construction, and agriculture remained virtually static in 1984. Industries that did not do as well, in general, were those dependent on interest rates in 1984, and those undergoing long-term processes of secular reorganization such as sugar and pineapple.

REAL ESTATE AND CONSTRUCTION

Erratic swings in interest rates in 1984 appear to have taken their toll on the real estate industry. While new sales of single-family units on Oahu saw a dramatic increase of 30 percent, sales of new condominiums plunged by 27 percent during the year. Resales of existing units throughout the state remained relatively static with single-family unit sales increasing slightly by 1 percent, and condominiums by 4 percent. With the exception of new single-family units, increases in new sales of condominiums, and resales of single-family units and condominiums were well below their 1983 levels, indicating that, aside from owner-occupant purchases of new homes, the real estate market was virtually flat in 1984.

For the construction industry, 1984 was not a good

RESEARCH DEPARTMENT
MARCH/APRIL 1985

FIRST HAWAIIAN BANK
Member FDIC
Established 1858

year. Due to the prolonged strikes in the concrete-worker, electrician, and carpenter unions, the value of construction-put-in-place fell by 8 percent from $1.3 to $1.2 billion in 1984. Given that construction costs for single-family homes and high-rise buildings rose by 5 and 4 percent, respectively, real growth in the industry actually fell by 12 to 13 percent during the year. This decline in the industry was also apparent in other indicators. Income earned by construction workers declined by 7 percent, including the effects of inflation, while jobs in the industry fell a disheartening 10 percent during the year. As bad as the year was, it might have been worse if public contracts had not absorbed some of the slack in the industry. Correcting for inflation, the value of public contracts saw a strong 37 percent increase over the year, with federal contracts showing the strongest rate of increase of 56 percent.

According to the trends in private permits authorized in 1984, a clear pattern is emerging in which the owner-occupant starter-family segment of the market appears to have remained strong during the year, while the investor market, including apartments, hotels, condominiums, commercial, and industrial construction continued to remain static. Because of the fact that both population and income growth have exceeded the growth in housing units for the last five years, the level of pent-up demand in the owner-occupant market appears to be increasing. This may reflect the possibility that the owner-occupant segment of the market may be less sensitive to interest-rate fluctuations than the investor market, which is determined more by level of profitability and debt-service capability.

Furthermore, given the existing inventories of office, industrial, condominium, and hotel units, further growth in each of these sectors will depend not only on a depletion of inventories in the various submarkets, but also on a continuous period of high occupancy rates so that investors can be confident of a rapid utilization of new inventory.

With the settlement of the construction strike, overall patterns for 1985 should see a positive increase as contractors fill back orders. However, if the interest-rate environment continues to tighten, prospects for overall growth in the industry may not be bright. Construction activity in the nonresidential sectors of the market will probably remain inactive in the short run as existing inventories are absorbed, while owner-occupied housing will continue to grow.

TOURISM

In contrast to interest-rate depen-

U.S. ECONOMIC INDICATORS

Series	Unit	Period	1984	1983	Percent Change 1983-84
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	quarterly ave.	3,661p	3,305	10.8
In 1972 Dollars	bil. $	quarterly ave.	1,639p	1,535	6.8
PERSONAL INCOME**	bil. $	monthly ave.	3,013p	2,744	9.8
INTEREST RATES					
AVERAGE PRIME RATE	percent	monthly ave.	12.04	10.79	11.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	monthly ave.	311.9p	262.2	19.0
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	monthly ave.	357.4	338.1	5.7
Apts, Hotel, Office Bldgs	1967 = 100	monthly ave.	360.4	345.0	4.5
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	monthly ave.	105,005	100,834	4.1
UNEMPLOYMENT*	thous.	monthly ave.	8,539	10,717	−20.3
UNEMPLOYMENT RATE*	percent	monthly ave.	7.5	9.6	−21.9
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	307.6	297.4	3.4
All Urban Consumers	1967 = 100	monthly ave.	311.1	298.4	4.3
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	monthly ave.	291.2p	285.2	2.1
All Commodities	1967 = 100	monthly ave.	310.3p	303.1	2.4

p = preliminary. *Seasonally adjusted. **Seasonally adjusted at annual rates.

BUSINESS ACTIVITY IN HAWAII

TOURISM					
VISITOR EXPENDITURES	mil. $	annual total	na p	4,000	—
OVERNIGHT OR LONGER VISITORS	number	annual total	4,826,640p	4,364,980	10.6
Westbound	number	annual total	3,701,780p	3,392,980	9.1
Eastbound	number	annual total	1,124,860p	972,000	15.7
AVERAGE DAILY VISITOR CENSUS	number	monthly ave.	105,770p	97,610	8.4
AVERAGE LENGTH OF STAY	no. of days	monthly ave.	10.5p	10.5	0.0
MEETING ATTENDANCE	number	annual total	255,152	211,764	20.5
ORGANIZED GROUP TOURS	number	annual total	892,540p	775,760	15.1
VISITOR COUNT BY COUNTY*					
Oahu	number	annual total	2,868,490p	2,668,110	7.5
Maui County	number	annual total	1,849,800p	1,696,630	8.9
Hawaii	number	annual total	756,890p	737,180	2.7
Kauai	number	annual total	806,620p	713,930	13.0
VISITOR ACCOMMODATIONS:					
STATE	number	October	64,588	60,198	7.3
Oahu	number	October	38,358	35,761	7.3
Waikiki	number	October	33,649	31,846	5.7
Maui (Island)	number	October	12,959	11,948	8.5
Molokai	number	October	613	626	1.1
Lanai	number	October	0	12	−100.0
Hawaii	number	October	6,944	7,243	−4.1
Kauai	number	October	5,694	4,608	23.6
HOTEL OCCUPANCY:					
STATE	percent	monthly ave.	76.0p	70.3	8.1
Oahu	percent	monthly ave.	81.2p	76.3	6.4
Maui (Island)	percent	monthly ave.	80.5p	75.2	7.0
Hawaii	percent	monthly ave.	55.6p	46.3	20.1
Kauai	percent	monthly ave.	63.0p	57.2	10.1

p = preliminary. *Estimated Westbound.

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1984	1983	Percent Change 1983-84
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	annual total	1,950	1,930	1.0
Military Payroll	mil. $	annual total	837.8	802.1	4.5
Civilian Payroll	mil. $	annual total	601.5	575.5	4.5
Local Purchases	mil. $	annual total	511.1	552.9	−7.6
SUGAR					
VALUE OF CROP SALES (UNPROCESSED CANE)	thous. $	annual total	na	266,500	.....
SUGAR PRODUCTION	thous. tons	annual total	1,062	1,044	1.7
N. Y. RAW SUGAR PRICE	$/ton	monthly ave.	434.73	440.90	−1.4
PINEAPPLE					
VALUE OF CROP SALES (FRESH EQUIVALENT)	thous. $	annual total	92,736	100,376	−7.6
SHIPMENTS: CANNED[2]	mil. $	annual total	213.3	174.2	22.4
FRESH	thous. lbs.	annual total	238,153	239,064	−0.4
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	annual total	na	112,618	.....
FLOWERS & NURSERY PRODUCTS	thous. $	annual total	na	36,165	.....
Anthurium Cutshipments[3]	th. dozens	annual total	1,761	1,720	2.4
Potted Foliage Plants	thous. $	annual total	na	10,836	.....
FRUITS & NUTS	thous. $	annual total	na	38,521	.....
Papaya Sales	th. lbs.	annual total	64,826p	46,300	40.0
Average Farm Price	cents/lb.	monthly ave.	14.0	23.6	−40.7
Macadamia Nut Sales (in shell)	th. lbs.	annual total	36,500	36,420	0.2
Average Farm Price	cents/lb.	annual total	67.0	65.7	2.0
VEGETABLES AND MELONS[4]	th. lbs.	annual total	65,184	67,090	−2.8
LIVESTOCK	thous. $	annual total	na	86,413	.....
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	annual total	31,160	31,280	−0.4
Average Farm Price (Feedlot Beef)	cents/lb.	monthly ave.	95.0	100.0	−5.0
HOG PRODUCTION (Dressed Wt.)	th. lbs.	annual total	6,232	6,125	1.7
Average Farm Price	cents/lb.	monthly ave.	104.0	102.5	1.5
MILK PRODUCTION	mil. lbs.	annual total	148.3	149.0	−0.5
Average Price Sold to Plants	$/100 lbs.	monthly ave.	20.03	20.11	−0.4
EGG PRODUCTION	mil.	annual total	210.6	199.4	5.6
Average Farm Price	cents/doz.	monthly ave.	88.7	84.8	4.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	annual total	1,227	1,334	−8.0
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	annual total	382,028	379,766	0.6
Single Family Units	number	annual total	4,132	3,276	26.1
Multiple Family Units	number	annual total	1,250	2,031	−38.5
NONRESIDENTIAL	thous. $	annual total	195,802	304,111	−35.6
OAHU:					
RESIDENTIAL	thous. $	annual total	237,707	213,083	11.6
Single Family Units	number	annual total	2,237	1,567	42.8
Multiple Family Units	number	annual total	1,024	1,832	−44.1
NONRESIDENTIAL	thous. $	annual total	137,198	153,677	−10.7
MAUI CO.:					
RESIDENTIAL	thous. $	annual total	40,886	38,814	5.3
Single Family Units	number	annual total	638	547	16.6
Multiple Family Units	number	annual total	6	24	−75.0
NONRESIDENTIAL	thous. $	annual total	18,954	52,435	−63.9
HAWAII:					
RESIDENTIAL	thous. $	annual total	64,371	56,853	13.2
Single Family Units	number	annual total	900	880	2.3
Multiple Family Units	number	annual total	181	96	88.5
NONRESIDENTIAL	thous. $	annual total	25,979	31,163	−16.6
KAUAI:					
RESIDENTIAL	thous. $	annual total	39,064	71,015	−45.0
Single Family Units	number	annual total	357	282	26.6
Multiple Family Units	number	annual total	39	79	−50.6
NONRESIDENTIAL	thous. $	annual total	13,670	66,835	−79.5

p = preliminary.
[2]Gross taxable income valued at time of shipment.
[3]From Hawaii County.
[4]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.

dent industries, Hawaii's major export industry, tourism, experienced a 10.6 percent rate of increase in visitor counts in 1984: the highest rate of increase since 1976. The surge in the tourist industry, probably more than any other factor, was responsible for the overall growth in the economy. This pervasive influence of tourism on the state economy becomes more apparent when it is noted that tourist-related jobs account for an estimated 63 percent of transportation, communication, and utility jobs, 69 percent of all retail trade jobs, 66 percent of all service jobs, and 42 percent of all manufacturing jobs in the economy.

Overall visitor counts exceeded 4.8 million visitors in 1984. Of the total, westbound visitors comprised 3.7 million visitors and grew by 9 percent, while eastbound visitors, principally from Japan, numbered 1.1 million, growing by 16 percent. These figures underscore the growing importance of the Japanese visitor market to the Hawaiian economy.

In terms of the Neighbor Islands, all counties experienced healthy growth. The most dramatic increase was on Kauai, which experienced a 13 percent increase to 806,620 visitors in 1984. This reflected Kauai's resurgence after Hurricane Iwa, and pushed Kauai once again back into the second spot after Maui as a popular vacation destination. The strength of the growth in tourism on Kauai was also reflected in its strong increase in hotel-service employment, which increased by 4 percent. Honolulu was the only other county that was higher; it saw an increase of 5 percent in its hotel employment. In total, hotel employment increased by 4 percent throughout the state.

Occupancy rates remained strong, growing by 8 percent, from 70 to 76 percent throughout the state. All of the counties experienced healthy increases in their occupancy rates, although increases in Hawaii county appear to have resulted as much from a net decrease in hotel units as from an increase in visitor counts. All other counties experienced aggregate increases in hotel units, resulting in overall growth of 7 percent in hotel accommodations across the state. That, in addition to the increased occupancy rates, gives strong evidence of the increased strength of the tourist industry statewide.

Prospects for tourism in 1985 will depend on national and world economic conditions and pricing policies by Hawaii's major air carriers. As discussed in detail in the January/February issue of the **Economic Indicators**, moderation of growth in the national

economy could foreshadow a softening in the Hawaiian tourist market, particularly in the second half of 1985. Growth in tourism could therefore moderate from the high growth rate of 10.6 percent in 1984, and is expected to fall to the 5 to 7 percent range.

MILITARY EXPENDITURES

Military expenditures decreased in real terms in 1984 by 3.3 percent. The reasons have to do with the unusual buildup in expenditures that occurred in 1983 as a result of post-Hurricane Iwa rebuilding, as well as the large military buildup that occurred early in the Reagan Administration. For example, overall real growth in military expenditures remained negative in 1980 and 1981, but increased by 12 and 8 percent in 1982 and 1983, respectively.

Of the major sectors of military spending, both military and civilian payrolls remained stable in 1984, showing a real growth rate of 0.1 and 0.2 percent, respectively. This growth rate was down considerably from the real growth rate of 7 and 6 percent experienced in 1983, and possibly represents a stabilizing trend in the growth of military pay appropriations in Hawaii. Local purchases of goods and services, however, saw a significant drop of 12 percent in real terms, primarily due to large increases in hurricane-related spending in 1983.

Because military appropriations depend more on Defense and State Department policies regarding military and diplomatic strategy in the Pacific Region, future levels of military spending in Hawaii are not predictable by economic trends alone. Much of what occurs in 1985 will depend on efforts to homeport a U.S. Navy battleship group in Pearl Harbor, as well as current Navy efforts to reduce the level of civilian workers at the Pearl Harbor Naval Shipyard. However, given what appears to be a process of long-term stabilization in military appropriations in Hawaii, growth in military spending can be expected to return to its long-term real trend rate of around 2 percent, which has prevailed since the beginning of the Reagan Administration.

SUGAR

1984 was not a good year for Hawaii's beleaguered, but resilient, sugar industry. Aside from the problems associated with the renegotiation of the Farm Bill in 1985, droughts since 1983, increased competition from domestic natural and chemical sweeteners, and higher foreign sugar quotas all made serious inroads into the industry in 1984. Production of sugar grew slightly by 2 percent from 1,043,980 to 1,061,591

BUSINESS ACTIVITY IN HAWAII (cont.)

Series		Unit	Period	1984	1983	Percent Change 1983-84
PUBLIC CONTRACTS AWARDED						
TOTAL GOVERNMENT PROJECTS:						
STATE		thous. $	annual total	388,656	274,965	41.3
Oahu		thous. $	annual total	300,782	216,989	38.6
Maui County		thous. $	annual total	26,760	29,943	−10.6
Hawaii		thous. $	annual total	23,057	20,152	14.4
Kauai		thous. $	annual total	38,058	7,882	382.8
BY LEVEL OF GOVERNMENT:						
Federal		thous. $	annual total	130,008	81,337	59.8
State		thous. $	annual total	176,968	127,736	38.5
County		thous. $	annual total	81,680	65,892	24.0
HONOLULU CONSTRUCTION COST INDEXES						
SINGLE FAMILY		1967 = 100	monthly ave.	348.1	331.2	5.1
HIGH-RISE		1967 = 100	monthly ave.	367.1	352.1	4.3
REAL ESTATE						
NEW SALES						
OAHU:	Single Family	number	annual total	1,258	966	30.2
	Condominium	number	annual total	1,424	1,940	−26.6
RESALES						
STATE:	Single Family	number	annual total	2,267	2,235	1.4
	Average Price	dollars	monthly ave.	169,629	164,341	3.2
	Condominium	number	annual total	2,700	2,585	4.4
	Average Price	dollars	monthly ave.	109,174	110,627	−1.3
OAHU:	Single Family	number	annual total	1,670	1,617	3.3
	Average Price	dollars	monthly ave.	186,171	183,712	1.3
	Condominium	number	annual total	2,177	2,049	6.2
	Average Price	dollars	monthly ave.	103,618	103,596	0.0
MAUI CO.:	Single Family	number	annual total	201	185	8.6
	Average Price	dollars	monthly ave.	175,494	155,095	13.2
	Condominium	number	annual total	386	381	1.3
	Average Price	dollars	monthly ave.	141,763	151,169	−6.2
HAWAII:	Single Family	number	annual total	325	378	−14.0
	Average Price	dollars	monthly ave.	89,036	91,796	−3.0
	Condominium	number	annual total	95	127	−25.2
	Average Price	dollars	monthly ave.	91,019	95,535	−4.7
KAUAI:	Single Family	number	annual total	71	55	29.1
	Average Price	dollars	monthly ave.	132,857	124,540	6.7
	Condominium	number	annual total	42	28	50.0
	Average Price	dollars	monthly ave.	138,848	141,964	−2.2
BUSINESS SALES						
GROSS BUSINESS RECEIPTS		mil. $	annual total	23,880	21,417	11.5
DIVERSIFIED MANUFACTURING		mil. $	annual total	530.1	502.3	5.5
DIVERSIFIED AGRICULTURE		mil. $	annual total	257.6	221.6	16.2
RETAILING		mil. $	annual total	8,542	7,728	10.5
WHOLESALING		mil. $	annual total	6,134	5,289	16.0
SERVICES		mil. $	annual total	5,486	4,825	13.7
OAHU NEW CAR SALES		number	annual total	41,882p	36,281	15.4
PUBLIC UTILITIES						
ELECTRICITY GENERATED		mil. kwh.	annual total	6,994	6,855	2.0
GAS SALES		th. therms.	annual total	47,778	48,135	−0.7
TELEPHONE LINES IN SERVICE		thous.	end of period	472.2	458.3	3.0
HONOLULU PRICES						
HONOLULU CONSUMER PRICE INDEX:						
Wage Earners and Clerical Workers		1967 = 100	monthly ave.	291.2	278.8	4.4
All Urban Consumers		1967 = 100	monthly ave.	284.8	273.5	4.1

FIRST
Member FDIC

POPULATION AND INCOME IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1984	1,141p	1,115	2.3
Total Resident Population	thous.	July 1, 1984	1,039p	1,018	2.1
OAHU:					
Total De Facto Population	thous.	July 1, 1984	865.2p	846.9	2.2
Total Resident Population	thous.	July 1, 1984	803.0p	789.7	1.7
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1984	107.1p	103.6	3.4
Total Resident Population	thous.	July 1, 1984	83.3p	79.6	4.6
HAWAII:					
Total De Facto Population	thous.	July 1, 1984	115.8p	113.4	2.1
Total Resident Population	thous.	July 1, 1984	107.8p	105.7	2.0
KAUAI:					
Total De Facto Population	thous.	July 1, 1984	52.5p	50.9	3.1
Total Resident Population	thous.	July 1, 1984	44.6p	43.2	3.2
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1984	981.4p	963.1	1.9
MILITARY PERSONNEL:					
STATE	number	July 1, 1984	60,800	59,021	3.0
Ashore	number	July 1, 1984	56,321	53,755	4.8
Afloat	number	July 1, 1984	4,483	5,266	−14.9
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1984	67,083	66,252	1.3
FOREIGN IMMIGRATION[1]	number	annual total	5,326	5,363	−0.7
INCOME					
TOTAL PERSONAL INCOME**	mil. $	3 qtr. ave.	13,251p	12,396	6.9
EMPLOYMENT INCOME[2]	mil. $	3 qtr. ave.	9,637p	9,083	6.1
Manufacturing	mil. $	3 qtr. ave.	450p	449	0.2
Construction & Mining	mil. $	3 qtr. ave.	526p	539	−2.4
Wholesale	mil. $	3 qtr. ave.	407p	376	8.2
Retail	mil. $	3 qtr. ave.	1,089p	1,016	7.2
Finance, Ins., & Real Estate	mil. $	3 qtr. ave.	666p	625	6.6
Trans., Comm., & Util.	mil. $	3 qtr. ave.	858p	791	8.5
Services	mil. $	3 qtr. ave.	2,107p	1,938	8.7
Farm & Other	mil. $	3 qtr. ave.	303p	301	0.7
Federal Civilian	mil. $	3 qtr. ave.	860p	851	1.1
Federal Military	mil. $	3 qtr. ave.	1,252p	1,129	10.9
State & Local	mil. $	3 qtr. ave.	1,118p	1,070	4.5
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3 qtr. ave.	2,508p	2,248	11.6
TRANSFER PAYMENTS (1,741) minus Personal Contributions for Social Insurance (635)	mil. $	3 qtr. ave.	1,106p	1,065	3.8
PER CAPITA PERSONAL INCOME:					
STATE	dollars	annual total	na	12,114	.....
Oahu	dollars	annual total	na	na	.....
Maui County	dollars	annual total	na	na	.....
Hawaii	dollars	annual total	na	na	.....
Kauai	dollars	annual total	na	na	.....

***Total personal income and all components are seasonally adjusted at annual rates.*
[1]Includes only those entering Honolulu ports and do not include status changes.
[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

HAWAIIAN BANK
Established 1858

tons during the year. Molasses production also increased slightly by 1 percent, while electricity sold for public consumption declined by 3 percent. Competitive conditions in the industry along with increased sugar quotas and market share gains by high fructose corn syrup resulted in a drop in total industry revenues of 3 percent, from $423.4 to $409.8 million in 1984. While the industry was able to achieve a 1 percent reduction in costs, it could not offset the drop in the price of sugar, which fell by 1 percent on an average monthly basis. Consequently, operating profits dropped 29 percent, and there was a pre-tax loss of $9.4 million in 1984 compared to $872,000 in 1983. These difficulties were reinforced by a 5 percent drop in sugar employment in 1984.

Prospects for 1985 remain uncertain. The aftereffects of the drought conditions of 1983 are likely to result in as much as a 3 to 4 percent reduction in 1985 production, with related reductions in molasses and power output. The effect on revenues will depend on continuing domestic and foreign competition and its effect on prices, the continued success of industry cost-cutting efforts, and ultimately, the outcome of congressional action on renewal of the U.S. Farm Act and its sugar provisions, which is discussed in detail in the current issue of the **Economic Indicators**. According to the Hawaii Sugar Planters Association, revenue reductions in 1985 could be substantial.

PINEAPPLE

The pineapple industry, as a whole, had mixed results. Total revenues to the industry saw a strong increase of 14 percent from $219 million in 1983 to $250 million in 1984. This was an all-time record level of revenues, but total volume of production for the year fell to 600,000 tons. This was 22 percent lower than the 722,000 tons harvested in 1983, and the lowest annual output since statistics on the industry were begun in 1950. The major reason for the decline in production stemmed from the overall reduction in Hawaii operations of the Del Monte Corp., a subsidiary of R.J. Reynolds Corporation. While the company continues to maintain operations on Molokai, acreage has been approximately halved from the 3,000 acres that formerly were in planting, and employment has been reduced to around 85 persons. In addition, canning operations in Honolulu were closed, while further cutbacks in the 6,000 acres the company farms on Oahu are expected.

With the withdrawal of Del Monte from the canned pineapple market, processed pineapple was expected to

diminish as a major portion of total sales. However, data for 1984 show that canned pineapple saw a dramatic increase of 22 percent over the year, while fresh pineapples remained stable. Some of this is attributable to a change in statistical reporting procedures; fruit sold without tops, used to be counted as fresh sales, but it is now counted as processed sales. Much of the gain in processed pineapple is also attributable to the very successful private-label marketing focus of Maui Land & Pine Co., which is based on sales to numerous different brands without having to compete directly under its own label.

In all, however, the industry appears to be diminishing. Along with the decline in total output, jobs in the industry fell by 12 percent in 1984. The drought in 1984, while not affecting the 1985 crop directly, may have a serious impact on the crop in 1986. Thus, while some improvement in output can be expected in 1985, the gains are expected to be short-term in nature.

DIVERSIFIED AGRICULTURE

Diversified agriculture experienced mixed results in 1984. While aggregate revenues to the industry saw a strong increase of 12 percent, corrected for inflation, increasing from $222 to $258 million, income to farming occupations declined by 0.7 percent; jobs in diversified agricultural fields declined by 2 percent. Individual industries are discussed below.

Macadamia Nuts

Preliminary estimates of developments in the macadamia nut industry indicate that 1984 was a good year. The fact that bearing acreage in production increased by 13 percent, from 10,600 to 12,000 acres, contributed to a 36.5 million pound harvest, slightly over the 36.4 million pounds harvested in 1983. The more important factor was the turnaround in the average farm price of macadamia nuts, which increased by 2 percent to 67.0 cents a pound from the all-time low of 65.7 cents a pound registered in 1983. As a result, the value of sales of macadamia nuts increased by 2 percent in 1984 to $24.5 million, after falling by 12 percent in 1983. The 1984 increase in prices reversed a two-year decline from an all-time high of 79.3 cents a pound in 1981, and may signal a positive turnaround in the fortunes of the macadamia nut industry.

Prospects for 1985 look optimistic. The increased amount of acreage in planting expected in 1985, and an improvement in weather conditions could increase overall yields and output. If prices continue to hold steady the result could be an increase in the value of sales

EMPLOYMENT AND JOBS IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	monthly ave.	475.1p	473.0	0.4
Employment	thous.	monthly ave.	447.2p	442.0	1.2
Unemployment	thous.	monthly ave.	27.9p	30.0	−7.0
Unemployment Rate	percent	monthly ave.	5.9p	6.5	−9.2
OAHU:					
Civilian Labor Force	thous.	monthly ave.	363.1p	360.1	0.8
Employment	thous.	monthly ave.	343.9p	339.5	1.3
Unemployment	thous.	monthly ave.	19.3p	20.6	−6.3
Unemployment Rate	percent	monthly ave.	5.3p	5.7	−7.0
MAUI COUNTY:					
Civilian Labor Force	thous.	monthly ave.	43.4p	43.3	0.2
Employment	thous.	monthly ave.	40.5p	39.9	1.5
Unemployment	thous.	monthly ave.	2.9p	3.5	−17.1
Unemployment Rate	percent	monthly ave.	6.8p	7.9	−13.9
HAWAII:					
Civilian Labor Force	thous.	monthly ave.	46.7p	46.7	0.0
Employment	thous.	monthly ave.	42.8p	42.4	0.9
Unemployment	thous.	monthly ave.	4.0p	4.3	−7.0
Unemployment Rate	percent	monthly ave.	8.5p	9.1	−6.6
KAUAI:					
Civilian Labor Force	thous.	monthly ave.	21.7p	22.0	−1.4
Employment	thous.	monthly ave.	20.1p	20.3	−1.0
Unemployment	thous.	monthly ave.	1.7p	1.7	0.0
Unemployment Rate	percent	monthly ave.	7.5p	7.7	−2.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	monthly ave.	447.0p	445.1	0.4
SUGAR (Mill and Field)	thous.	monthly ave.	7.9p	8.3	−4.8
PINEAPPLE (Cannery and Field)	thous.	monthly ave.	4.3p	4.9	−12.2
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	monthly ave.	15.9p	15.9	0.0
Durable Goods	thous.	monthly ave.	3.5p	3.7	−5.4
Non-Durable Goods	thous.	monthly ave.	12.5p	12.3	1.6
Apparel and Textiles	thous.	monthly ave.	2.9p	2.9	0.0
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	monthly ave.	8.1p	8.3	−2.4
CONTRACT CONSTRUCTION	thous.	monthly ave.	16.1p	17.9	−10.1
TRANSPORTATION	thous.	monthly ave.	21.3p	20.8	2.4
COMMUNICATION	thous.	monthly ave.	7.3p	7.5	−2.7
UTILITIES	thous.	monthly ave.	2.5p	2.5	0.0
RETAIL TRADE	thous.	monthly ave.	90.3p	87.6	3.1
WHOLESALE TRADE	thous.	monthly ave.	18.3p	18.1	1.1
FINANCE, INSURANCE AND REAL ESTATE	thous.	monthly ave.	31.1p	31.6	−1.6
HOTEL SERVICES—STATE	thous.	monthly ave.	27.8p	26.8	3.7
Oahu	thous.	monthly ave.	15.7p	14.9	5.4
Maui County	thous.	monthly ave.	6.2p	6.2	0.0
Hawaii	thous.	monthly ave.	3.6p	3.6	0.0
Kauai	thous.	monthly ave.	2.3p	2.2	4.5
OTHER SERVICES	thous.	monthly ave.	78.2p	77.1	1.4
FEDERAL GOVERNMENT	thous.	monthly ave.	32.0p	32.1	−0.3
Civilian Agencies	thous.	monthly ave.	11.4p	11.3	0.9
Defense Department	thous.	monthly ave.	20.6p	20.9	−1.4
STATE GOVERNMENT	thous.	monthly ave.	45.9p	45.7	0.4
COUNTY GOVERNMENT	thous.	monthly ave.	13.2p	13.3	−0.8
NON-AGRICULTURE SELF-EMPLOYED	thous.	monthly ave.	26.3p	26.8	−1.9
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	monthly ave.	12,496	15,497	−19.4
INTRASTATE INITIAL CLAIMS	number	annual total	74,035	73,566	0.6
INTERSTATE INITIAL CLAIMS	number	annual total	4,254	4,701	−9.5
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	annual total	77,675	83,604	−7.1

p = preliminary.

PUBLIC ASSISTANCE IN HAWAII

Series	Unit	Period	1984	1983	Percent Change 1983-84
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	monthly ave.	61,389	64,018	−4.1
Payments	thous. $	annual total	102,264	107,720	−5.1
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	monthly ave.	48,021	51,849	−7.4
Payments	thous. $	annual total	150,540	167,612	−10.2
FOOD STAMPS:					
Recipients[1]	no./persons	monthly ave.	99,715	101,265	−1.5
Payments	thous. $	annual total	83,204	80,425	3.5
SERVICES:					
Recipients[1]	no./cases	quarterly ave.	6,931	6,795	2.0
Payments	thous. $	annual total	13,802	14,374	−4.0

[1]*Count of recipients is duplicated. A person may be counted in each category*

BANKING AND FINANCE IN HAWAII

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	monthly ave.	6,274	5,596	12.1
Debits To Demand Deposits	mil. $	annual total	93,770	89,147	5.2
OAHU:					
Total Deposits	mil. $	monthly ave.	5,181	4,619	12.2
Debits To Demand Deposits	mil. $	annual total	85,971	82,035	4.8
MAUI COUNTY:					
Total Deposits	mil. $	monthly ave.	405.4	349.6	16.0
Debits To Demand Deposits	mil. $	annual total	3,319.7	2,996.6	10.8
HAWAII:					
Total Deposits	mil. $	monthly ave.	461.2	414.9	11.2
Debits To Demand Deposits	mil. $	annual total	3,214.3	2,864.8	12.2
KAUAI:					
Total Deposits	mil. $	monthly ave.	226.9	212.3	6.9
Debits To Demand Deposits	mil. $	annual total	1,265.0	1,251.2	1.1
BANK LOANS OUTSTANDING—STATE:	mil. $	quarterly ave.	4,014	3,671	9.3[1]
Real Estate	mil. $	quarterly ave.	1,659	1,639	1.2
Consumer	mil. $	quarterly ave.	901.4	813.6	10.8
Commercial & Industrial	mil. $	quarterly ave.	1,135	1,092	3.9
Other	mil. $	quarterly ave.	318.4	127.0	150.7[1]
SAVINGS & LOAN ASSOCIATIONS:[2]					
TOTAL DEPOSITS	mil. $	monthly ave.	3,794	3,556	6.7
LOANS	mil. $	monthly ave.	44.2	45.5	−2.9
Residential	mil. $	monthly ave.	22.5	25.2	−10.7
Other	mil. $	monthly ave.	21.8	20.3	7.4
TAX COLLECTIONS:[3]					
STATE	thous. $	annual total	1,394,743	1,264,669	10.3
Oahu	thous. $	annual total	1,216,042	1,108,183	9.7
Maui County	thous. $	annual total	76,572	68,217	12.2
Hawaii	thous. $	annual total	73,867	65,787	12.3
Kauai	thous. $	annual total	28,262	22,481	25.7

[1]*Reporting categories changed in 1984.*
[2]*Includes data for both Hawaii and Guam.*
[3]*Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.*

ranging from 2 to 5 percent by the end of 1985. This would signal the end of the 1982-83 glut when volume of production reached an all-time high and prices reached an all-time low. With successful promotion and market development programs, the industry may be on a trend of sustained long-term growth.

Papayas

The struggling papaya industry faced another year of tribulations. Production levels, still booming after the large increase in plantings after Hurricane Iwa, hit 65 million pounds, the highest since the record high of 66 million pounds in 1981. However, the resulting oversupply in papayas precipitated a 41 percent drop in prices from 24 cents a pound in 1983 to 14 cents in 1984. Other factors plaguing the industry in 1984 included adverse consumer reaction to the use of the fumigant EDB as well as problems with the double-dip treatment process designed to replace EDB. All told, these problems resulted in a 20 percent decline in the total value of papaya production to $8.3 million in 1984, the lowest level since 1978.

The prospects for the coming year look brighter. Modifications to the double-dip process are producing positive results, and further research is being carried out on alternative treatment methods, including irradiation techniques. Also, production levels in early 1985 have been running roughly one-third lower than last year. This may result in higher prices. Assuming favorable solution of the fruit-fly treatment problem, revenues for the industry should see a turnaround in 1985.

Flowers and Nursery Products

The flower and nursery product industry constitutes the largest sector in diversified agriculture, surpassing both macadamia nuts and papayas in total volume of sales. According to the most recent data from the Hawaii Agricultural Reporting Service, the industry continued to achieve record sales of $36.2 million in 1983. This was 18 percent higher than the previous high set in 1982, and was the largest year-to-year increase since 1980. Much of the increase was attributed to the stronger economy, promotion and market-development efforts, and improved weather from 1982. The largest gains came in the potted foliage plants, which grew by 23 percent from $8.8 to $10.8 million in 1983. Cut anthurium flowers, the second largest crop, showed a strong increase of 7 percent, growing in value from $5.6 to $6.0 million. All other major flowers including roses, dendrobiums and other orchids, carnations, and protea increased in 1983.

DIVERSIFIED MANUFACTURING

Diversified manufacturing, which includes the garment industry, construction materials, paper, machinery and equipment, chemical and petroleum refining, furniture, and other manufacturers, turned in an overall weak performance for 1984. Including the effects of inflation, business sales registered a weak 1 percent increase during the year, while job counts and employment income in this sector remained virtually unchanged.

Events in 1984 affecting this sector include the closing of the Hawaiian Tuna Packers' cannery in October, which remained closed through the end of the year, as well as a decline in the local clothing market share of aloha wear since 1970. Prospects for 1985 will depend, in part, on tourism growth, although a greater share of the clothing market is now being imported. With other industries remaining stable, growth should be marginal in 1985.

TRANSPORTATION, COMMUNICATION, AND UTILITIES

The transportation, communications, and utilities sector showed strong 6 percent real growth over the previous year in personal income, based on three quarters of data for 1984. This gain is primarily the result of the tourism-driven transportation industry, which grew by 2 percent in terms of jobs compared to zero job growth for utility companies and a 3 percent job loss among communications companies.

The outlook for 1985 will depend, in part, on growth in the tourism industry, particularly for the transportation industry. Communications and utilities will depend on the rate of population growth and household formation, although tourism is a large factor in electricity demand. With a moderation in tourism growth, the transportation, communications, and utilities industry as a whole should see positive growth although less than 1984.

TRADE AND SERVICES

The dominance of tourism in Hawaii's economy causes trade and service industries to constitute the largest segments of the private-sector economy in Hawaii. In 1984, business receipts from trade and services came to $20.2 billion, or 84 percent of the total of $23.9 billion in business receipts statewide. Trade and services also comprised 44 percent of total employment income and 55 percent of all jobs in the state. Because of the strong growth in tourism, reflecting the overall national recovery, recent trends in these sectors has been strong. Overall, gross revenues for trade and services increased by 13 percent, income increased by 10 percent, and jobs increased by 2 percent in 1984. Prospects for 1985 remain strong given the continuation in tourism growth. However, if as expected, growth rates in visitor counts moderate in 1985, then growth in the subsidiary trade and service sectors will soften.

GOVERNMENT

Civilian government plays an important role in Hawaii's economy. In 1984, federal, state, and county employees accounted for 20 percent of the total labor force, an increase of 4 percent over 1983. If military personnel are included, total government employment comes to 34 percent of Hawaii's labor force. Income of all government employees in 1984 was $3.2 billion, or 34 percent of employment income in the state. This was a 7 percent increase over the income earned in 1983. The largest sector is federal military income which grew by 13 percent to $1.2 billion. It was followed by state and local government income, which grew by 5 percent to $1.1 billion. Federal civilian income remained stable, growing slightly by 1 percent to $860 million in 1984. In terms of jobs, federal, civilian, and military jobs declined slightly by 0.3 percent, state government jobs increased by 0.4 percent, and county government jobs declined by 0.8 percent. Prospects for 1985 suggest stable growth, particularly if military expenditures moderate. Likewise, fiscal pressures on state and local government could reduce additional local government hirings.

CONCLUSION

1984 was a year of healthy expansion in Hawaii's economy. However, it was not the kind of growth that was particularly deep or broad based. This was evidenced by continued stagnation in employment and job growth and investment in new construction. Likewise, growth tended to be confined to those segments of the economy most related to tourism while virtually every other major sector of the economy including military expenditures, sugar, pineapple, diversified agriculture, and construction either remained stable or declined during the year. While some of this was caused by interest-rate fluctuations in 1984, the otherwise mediocre performance of the economy provides evidence of the shallowness of Hawaii's economic resurgence and the increasing dependency on tourism as the sole generator of employment and economic growth in Hawaii. If demand conditions supporting tourism begin to slow in 1985, then that dependency could lead to an overall slowing of Hawaii's economy in 1985.

The implications of these patterns are clear. Given the overriding importance of tourism's role in the economy, maximum effort needs to be expended toward maintaining and expanding its presence, particularly in view of its importance to the Neighbor Islands. However, the volatility associated with overdependence on one industry, and the effects that this dependency has had on the structure of Hawaii's economy over time, demands serious efforts toward diversifying Hawaii's economic base. Both of these concerns are under consideration by the state legislature, and the degree to which they are met will exert a profound influence on the future development of Hawaii's economy.

RESEARCH DEPARTMENT
MARCH/APRIL 1985

FIRST HAWAIIAN BANK
Member FDIC
Established 1858